

ATTACHMENT B

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES INVESTOR PROTECTION
CORPORATION,

Plaintiff-Applicant,

v.

BERNARD L. MADOFF INVESTMENT
SECURITIES LLC,

Defendant.

In re:

BERNARD L. MADOFF,

Debtor.

IRVING H. PICARD, Trustee for the Liquidation of
Bernard L. Madoff Investment Securities LLC,

Plaintiff,

v.

CAROL L. KAMENSTEIN, individually and in her
capacity as joint tenant, DAVID R. KAMENSTEIN,
individually and in his capacity as joint tenant, SLOAN
G. KAMENSTEIN, and TRACY D. KAMENSTEIN,

Defendants.

Adv. Pro. No. 08-01789 (SMB)

SIPA LIQUIDATION

(Substantively Consolidated)

Adv. Pro. No. 10-04469 (SMB)

**EXPERT REPORT OF
MATTHEW B. GREENBLATT, CPA/CFF, CFE
SENIOR MANAGING DIRECTOR
FTI CONSULTING, INC.**

**PRINCIPAL BALANCE CALCULATION
AS APPLIED TO
THE KAMENSTEIN DEFENDANTS**

June 14, 2019

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I. INTRODUCTION

1. As described in my Expert Report regarding the Methodology for the Principal Balance Calculation dated November 15, 2012 (the “Principal Balance Calculation Report”), FTI Consulting, Inc. (“FTI”) was retained by Baker & Hostetler LLP, on behalf of the Trustee, to, among other things, reconstruct the books and records of BLMIS. I am a Senior Managing Director at FTI. Additional information regarding my professional experience and recent testimony is included in my Curriculum Vitae annexed hereto as **Exhibit 1**.

2. As part of FTI’s reconstruction of the books and records of BLMIS, chronological listings of all cash and principal transactions for every BLMIS customer account were compiled. These chronological listings provided the foundation to calculate every BLMIS account holder’s principal balance on a daily basis for all dates from April 1, 1981 through December 11, 2008 (the “Principal Balance Calculation”).

3. The Principal Balance Calculation Report explains the methodology of the Principal Balance Calculation and describes the relevant documents and data that were maintained by BLMIS. Accordingly, this report should be read in conjunction with the Principal Balance Calculation Report.¹

4. This report specifically applies the methodology of the Principal Balance Calculation to the BLMIS accounts associated with Carol L. Kamenstein, David R. Kamenstein, Sloan G. Kamenstein, and Tracy D. Kamenstein (collectively, the “Defendants”), in the above-captioned litigation, and provides a description of the cash and principal activity in the BLMIS accounts impacting the Principal Balance Calculation for BLMIS Account 1CM596 (the “Kamenstein Account 1CM596”), BLMIS Account 1CM597 (the “Kamenstein Account 1CM597”), BLMIS Account 1CM914 (the “Kamenstein Account 1CM914”), and BLMIS Account 1CM913 (the “Kamenstein Account 1CM913”) (collectively, the “Kamenstein Accounts”).²

¹ The opinions that I render in the Principal Balance Calculation Report, the documents that I considered in connection with that Report, and the accompanying Exhibits to that Report, are all incorporated by reference. All capitalized terms not defined herein shall have the meaning ascribed to them in the Principal Balance Calculation Report.

² One additional BLMIS account, BLMIS Account 1CM247 under the name of “DAVID R KAMENSTEIN & CAROL KAMENSTEIN J/T WROS,” is also at issue in the above-captioned litigation. However, there were no cash withdrawals from this account within the two-year period prior to December 11, 2008; therefore, the description of activity and the transactions that impact the Principal Balance Calculation for BLMIS Account 1CM247 have been excluded from this report.

5. This report has been prepared in connection with the above-captioned litigation and is to be used only for the specific purposes of this lawsuit. It is not to be used for any other purpose without the express written consent of FTI. If called upon to testify in this matter, I intend to provide testimony regarding my analyses and conclusions consistent with this report. FTI is being compensated at a rate of \$670 per hour for my professional time incurred in performing the work necessary to prepare this report. FTI's fees are not contingent on the conclusions reached in this report or the outcome of the above-captioned litigation.

6. The documents and data that I considered in connection with this report are listed in **Exhibit 2**. I reserve the right to supplement my report based on any additional documents or information received.

II. DESCRIPTION OF ACTIVITY IN KAMENSTEIN ACCOUNT 1CM596 AND THE TRANSACTIONS IMPACTING THE PRINCIPAL BALANCE CALCULATION

7. Kamenstein Account 1CM596 was opened with BLMIS in September 1999. Throughout its account history, Kamenstein Account 1CM596 had a total of 60 cash deposit and withdrawal transactions. In addition to these cash transactions, there were three inter-account transfers from BLMIS Account 1CM295 into Kamenstein Account 1CM596.

8. The cash deposit and withdrawal transactions, as well as the inter-account transfers, all impacted the Principal Balance Calculation for Kamenstein Account 1CM596. Each of these transactions was reflected on the Customer Statements between September 1999 and November 2008, and the Checkbook File³ between December 1, 2008 and December 11, 2008.

9. As described in the Principal Balance Calculation Report, the amount of the funds transferred from one BLMIS account to another BLMIS account (an inter-account transfer⁴) is limited to the amount of principal available in the *transferor's* account at the time of the transfer. Only the portion of the inter-account transfers between BLMIS accounts for which the transferor had actual principal could be transferred. As such, all inter-account transfers have been analyzed

³ See Principal Balance Calculation Report, ¶¶ 52-54 for a full explanation of the Checkbook File.

⁴ An inter-account transfer is defined as a non-cash transaction between BLMIS customer accounts in which no new funds entered or left BLMIS, but rather a book entry occurred at BLMIS to internally adjust the balances of those accounts. These book entries did not reflect any transfers of cash because there was no actual movement of cash. Rather, these inter-account transfers merely changed reported value in the purported "equity" maintained in the BLMIS customers' accounts. (See Principal Balance Calculation Report, ¶¶ 17, 27-28, 32-34.)

and the transferee's account has been credited only up to the amount of principal available in the transferor's account on the day of the inter-account transfer.

10. Thus, in order to perform the Principal Balance Calculation for Kamenstein Account 1CM596, BLMIS Account 1CM295 was analyzed to determine the amount of principal available in that account that could be transferred into Kamenstein Account 1CM596.

11. To determine the amount of principal available in BLMIS Account 1CM295, one additional account, BLMIS Account 1CM247, was analyzed because an inter-account transfer from that account impacted the principal balance in BLMIS Account 1CM295.

12. **Exhibit 3** to this report (Summary Schedule of Cash and Principal Activity in the Kamenstein Accounts) provides a summary of the activity in the BLMIS accounts that impacted the Principal Balance Calculation for Kamenstein Account 1CM596.

13. **Exhibits 4A-4C** to this report provide detailed schedules for the Principal Balance Calculation for BLMIS Accounts 1CM247, 1CM295, and Kamenstein Account 1CM596, respectively.

A. Summary of Activity in BLMIS Account 1CM247 and the Inter-Account Transfers Into BLMIS Account 1CM295, Kamenstein Account 1CM914 and Kamenstein Account 1CM913

14. On July 8, 1993, BLMIS Account 1CM247 was opened with a cash deposit via wire in the amount of \$500,000, all representing principal.

15. Subsequent to this initial cash deposit, there were ten additional cash deposits via checks and wires into BLMIS Account 1CM247 in the aggregate amount of \$10,134,823, all representing principal.

16. On January 2, 1997, as reflected on the Customer Statements, there was an inter-account transfer from BLMIS Account 1CM295 into BLMIS Account 1CM247 in the amount of \$222,000. As of the date of this inter-account transfer, BLMIS Account 1CM295 had sufficient principal to transfer the full amount into BLMIS Account 1CM247. Therefore, \$222,000 was credited as principal into BLMIS Account 1CM247. (See **Exhibit 4A** for the Detailed Schedule for the Principal Balance Calculation for BLMIS Account 1CM247; see also **Exhibit 4B** for the Detailed Schedule for the Principal Balance Calculation for BLMIS Account 1CM295.)

17. These 11 cash deposits and one inter-account transfer provided BLMIS Account 1CM247 with a total of \$10,856,823 of principal.

18. Between July 8, 1993 and December 11, 2008, BLMIS Account 1CM247 reflected a total of 26 cash withdrawals totaling \$10,265,728.

19. On June 16, 1999, as reflected on the Customer Statements, there was an inter-account transfer from BLMIS Account 1CM247 into BLMIS Account 1CM295 in the amount of \$594,029. As of the date of this inter-account transfer, BLMIS Account 1CM247 had sufficient principal to transfer the full amount into BLMIS Account 1CM295. Therefore, \$594,029 was credited as principal into BLMIS Account 1CM295. (See **Exhibits 4A** and **4B**.)

20. On December 27, 2004 and January 31, 2005, as reflected on the Customer Statements, there were four inter-account transfers from BLMIS Account 1CM247 into Kamenstein Account 1CM914 and Kamenstein Account 1CM913 in the aggregate amount of \$6,294,657:

- \$3,146,642 into Kamenstein Account 1CM914 on December 27, 2004;
- \$3,146,642 into Kamenstein Account 1CM913 on December 27, 2004;
- \$686 into Kamenstein Account 1CM913 on January 31, 2005; and
- \$686 into Kamenstein Account 1CM914 on January 31, 2005.

21. However, due to the negative principal balance in BLMIS Account 1CM247 at the time of these inter-account transfers, there was no principal available to be transferred into Kamenstein Account 1CM914 and Kamenstein Account 1CM913.⁵ Therefore, these amounts were not credited as principal into Kamenstein Account 1CM914 and Kamenstein Account 1CM913 because these reported inter-account transfers constituted fictitious profits. (See **Exhibit 4A**; see also **Exhibit 4E** for the Detailed Schedule for the Principal Balance Calculation for Kamenstein Account 1CM914; and **Exhibit 4F** for the Detailed Schedule for the Principal Balance Calculation for Kamenstein Account 1CM913.)

B. Summary of Activity in BLMIS Account 1CM295 and the Inter-Account Transfers Into BLMIS Account 1CM247, Kamenstein Account 1CM596 and Kamenstein Account 1CM597

22. On October 3, 1994, BLMIS Account 1CM295 was opened with a cash deposit via wire in the amount of \$500,000, all representing principal.

⁵ See Principal Balance Calculation Report, ¶¶17, 27-28 and 32-34 for a full explanation of inter-account transfers of principal between BLMIS customer accounts.

23. Subsequent to this initial cash deposit, there was one additional cash deposit via check into BLMIS Account 1CM295 in the amount of \$2,095,286, all representing principal.

24. On June 16, 1999, as reflected on the Customer Statements, there was an inter-account transfer from BLMIS Account 1CM247 into BLMIS Account 1CM295 in the amount of \$594,029. As discussed above, BLMIS Account 1CM247 had sufficient principal as of the date of this inter-account transfer to transfer the full amount into BLMIS Account 1CM295. Therefore, \$594,029 was credited as principal into BLMIS Account 1CM295. (See **Exhibits 4A** and **4B**.)

25. These two cash deposits and one inter-account transfer provided BLMIS Account 1CM295 with a total of \$3,189,315 of principal.

26. Between October 3, 1994 and December 11, 2008, BLMIS Account 1CM295 reflected a total of two cash withdrawals totaling \$53,000.

27. On January 2, 1997, as reflected on the Customer Statements, there was an inter-account transfer from BLMIS Account 1CM295 into BLMIS Account 1CM247 in the amount of \$222,000. As discussed above, BLMIS Account 1CM295 had sufficient principal as of the date of this inter-account transfer to transfer the full amount into BLMIS Account 1CM247. Therefore, \$222,000 was credited as principal into BLMIS Account 1CM247. (See **Exhibits 4A** and **4B**.)

28. On September 7, 1999, as reflected on the Customer Statements, there were four inter-account transfers from BLMIS Account 1CM295 into Kamenstein Account 1CM596 and Kamenstein Account 1CM597 in the aggregate amount of \$3,564,663:⁶

- \$1,782,331 into Kamenstein Account 1CM596;
- \$1,782,331 into Kamenstein Account 1CM597;
- \$1 into Kamenstein Account 1CM596; and
- \$1 into Kamenstein Account 1CM597.

29. As of that date, BLMIS Account 1CM295 had only \$2,914,315⁷ of principal available that could be transferred. At the direction of Trustee's counsel and pursuant to correspondence in the customer file for BLMIS Account 1CM295, I divided the \$2,914,315 of principal as follows: (i) a total of 50% for the two inter-account transfers into Kamenstein

⁶ Difference due to rounding.

⁷ Difference due to rounding.

Account 1CM596; and (ii) a total of 50% for the two inter-account transfers into Kamenstein Account 1CM597.⁸ Applying that methodology, Kamenstein Account 1CM596 and Kamenstein Account 1CM597 were each credited with a total of \$1,457,157 of principal. The remaining balance of these reported inter-account transfers constituted fictitious profits. (See **Exhibit 4B**; see also **Exhibit 4C** for the Detailed Schedule for the Principal Balance Calculation for Kamenstein Account 1CM596; and **Exhibit 4D** for the Detailed Schedule for the Principal Balance Calculation for Kamenstein Account 1CM597.)

30. On October 29, 1999, as reflected on the Customer Statements, there were two inter-account transfers from BLMIS Account 1CM295 into Kamenstein Account 1CM596 and Kamenstein Account 1CM597 in the aggregate amount of \$52: (i) \$26 into Kamenstein Account 1CM596; and (ii) \$26 into Kamenstein Account 1CM597. However, due to the zero principal balance in BLMIS Account 1CM295 at the time of these inter-account transfers, there was no principal available to be transferred into Kamenstein Account 1CM596 and Kamenstein Account 1CM597. Therefore, these amounts were not credited as principal into Kamenstein Account 1CM596 and Kamenstein Account 1CM597 because these reported inter-account transfers constituted fictitious profits. (See **Exhibits 4B-4D**.)

C. Description of the Inter-Account Transfers and Cash Deposits Into Kamenstein Account 1CM596

31. On September 7, 1999, as reflected on the Customer Statements, there were two inter-account transfers from BLMIS Account 1CM295 into Kamenstein Account 1CM596 in the aggregate amount of \$1,782,332. However, as discussed above, Kamenstein Account 1CM596 was only credited with a total of \$1,457,157 of principal from these inter-account transfers. The remaining balance of these reported inter-account transfers constituted fictitious profits. (See **Exhibits 4B and 4C**.)

32. Subsequent to these initial inter-account transfers, on October 29, 1999, as reflected on the Customer Statements, there was an inter-account transfer from BLMIS Account 1CM295 into Kamenstein Account 1CM596 in the amount of \$26. However, as discussed

⁸ According to correspondence dated August 18, 1999 between Carol Kamenstein, David Kamenstein, and Linda Schoenheimer, Carol and David Kamenstein requested to split BLMIS Account 1CM295 “into two accounts of equal value at your earliest convenience but before September 30.” (See **MADTB01977201**.)

above, this amount was not credited as principal into Kamenstein Account 1CM596 because this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4B** and **4C**.)

33. Additionally, between September 7, 1999 and December 11, 2008, there were seven cash deposits via checks and wires into Kamenstein Account 1CM596 in the aggregate amount of \$1,082,435, all representing principal.

34. In sum, these three inter-account transfers and seven cash deposits provided Kamenstein Account 1CM596 with a total of \$2,539,593⁹ of principal. (See **Exhibit 3**.)

D. Description of the Cash Withdrawals Out of Kamenstein Account 1CM596

35. Between September 7, 1999 and December 11, 2008, Kamenstein Account 1CM596 reflected a total of 53 cash withdrawals totaling \$2,991,907.

36. The Principal Balance Calculation for Kamenstein Account 1CM596 demonstrates that between September 7, 1999 and December 11, 2008, \$2,991,907 was withdrawn from BLMIS, which consisted of \$2,539,593 of principal and an additional \$452,314 of funds withdrawn in excess of principal, representing fictitious profits. The \$452,314 of fictitious profits was withdrawn within the two-year period prior to December 11, 2008. (See **Exhibit 4C**.)

III. DESCRIPTION OF ACTIVITY IN KAMENSTEIN ACCOUNT 1CM597 AND THE TRANSACTIONS IMPACTING THE PRINCIPAL BALANCE CALCULATION

37. Kamenstein Account 1CM597 was opened with BLMIS in September 1999. Throughout its account history, Kamenstein Account 1CM597 had a total of 64 cash deposit and withdrawal transactions. In addition to these cash transactions, there were three inter-account transfers from BLMIS Account 1CM295 into Kamenstein Account 1CM597.

38. The cash deposit and withdrawal transactions, as well as the inter-account transfers, all impacted the Principal Balance Calculation for Kamenstein Account 1CM597. Each of these transactions was reflected on the Customer Statements between September 1999 and November 2008, and the Checkbook File between December 1, 2008 and December 11, 2008.

⁹ Difference due to rounding.

39. Thus, in order to perform the Principal Balance Calculation for Kamenstein Account 1CM597, BLMIS Account 1CM295 was analyzed to determine the amount of principal available in that account that could be transferred into Kamenstein Account 1CM597.

40. As discussed above, to determine the amount of principal available in BLMIS Account 1CM295, one additional account, BLMIS Account 1CM247, was analyzed because an inter-account transfer from that account impacted the principal balance in BLMIS Account 1CM295.

41. **Exhibit 3** to this report (Summary Schedule of Cash and Principal Activity in the Kamenstein Accounts) provides a summary of the activity in the BLMIS accounts that impacted the Principal Balance Calculation for Kamenstein Account 1CM597.

42. **Exhibits 4A, 4B, and 4D** to this report provide detailed schedules for the Principal Balance Calculation for BLMIS Accounts 1CM247, 1CM295, and Kamenstein Account 1CM597, respectively.

A. Description of the Inter-Account Transfers and Cash Deposits Into Kamenstein Account 1CM597

43. On September 7, 1999, as reflected on the Customer Statements, there were two inter-account transfers from BLMIS Account 1CM295 into Kamenstein Account 1CM597 in the aggregate amount of \$1,782,332. However, as discussed above, Kamenstein Account 1CM597 was only credited with a total of \$1,457,157 of principal from these inter-account transfers. The remaining balance of these reported inter-account transfers constituted fictitious profits. (See **Exhibits 4B and 4D.**)

44. Subsequent to these initial inter-account transfers, on October 29, 1999, as reflected on the Customer Statements, there was an inter-account transfer from BLMIS Account 1CM295 into Kamenstein Account 1CM597 in the amount of \$26. However, as discussed above, this amount was not credited as principal into Kamenstein Account 1CM597 because this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4B and 4D.**)

45. Additionally, between September 7, 1999 and December 11, 2008, there were eight cash deposits via check and wires into Kamenstein Account 1CM597 in the aggregate amount of \$1,958,637, all representing principal.

46. In sum, these three inter-account transfers and eight cash deposits provided Kamenstein Account 1CM597 with a total of \$3,415,794 of principal. (See **Exhibit 3**.)

B. Description of the Cash Withdrawals Out of Kamenstein Account 1CM597

47. Between September 7, 1999 and December 11, 2008, Kamenstein Account 1CM597 reflected a total of 56 cash withdrawals totaling \$4,683,246.

48. The Principal Balance Calculation for Kamenstein Account 1CM597 demonstrates that between September 7, 1999 and December 11, 2008, \$4,683,246 was withdrawn from BLMIS, which consisted of \$3,415,794 of principal and an additional \$1,267,452 of funds withdrawn in excess of principal, representing fictitious profits. Within the two-year period prior to December 11, 2008, \$527,400 of fictitious profits was withdrawn from Kamenstein Account 1CM597. (See **Exhibit 4D**.)

IV. DESCRIPTION OF ACTIVITY IN KAMENSTEIN ACCOUNT 1CM914 AND THE TRANSACTIONS IMPACTING THE PRINCIPAL BALANCE CALCULATION

49. Kamenstein Account 1CM914 was opened with BLMIS in December 2004. Throughout its account history, Kamenstein Account 1CM914 had a total of 41 cash deposit and withdrawal transactions. In addition to these cash transactions, there were two inter-account transfers from BLMIS Account 1CM247 into Kamenstein Account 1CM914.

50. The cash deposit and withdrawal transactions, as well as the inter-account transfers, all impacted the Principal Balance Calculation for Kamenstein Account 1CM914. Each of these transactions was reflected on the Customer Statements between December 2004 and November 2008, and the Checkbook File between December 1, 2008 and December 11, 2008.

51. Thus, in order to perform the Principal Balance Calculation for Kamenstein Account 1CM914, BLMIS Account 1CM247 was analyzed to determine the amount of principal available in that account that could be transferred into Kamenstein Account 1CM914.

52. To determine the amount of principal available in BLMIS Account 1CM247, one additional account, BLMIS Account 1CM295, was analyzed because an inter-account transfer from that account impacted the principal balance in BLMIS Account 1CM247.

53. **Exhibit 3** to this report (Summary Schedule of Cash and Principal Activity in Kamenstein Accounts) provides a summary of the activity in the BLMIS accounts that impacted the Principal Balance Calculation for Kamenstein Account 1CM914.

54. **Exhibits 4A, 4B and 4E** to this report provide detailed schedules for the Principal Balance Calculation for BLMIS Accounts 1CM247, 1CM295 and Kamenstein Account 1CM914, respectively.

A. Description of the Inter-Account Transfers and Cash Deposits Into Kamenstein Account 1CM914

55. On December 27, 2004, as reflected on the Customer Statements, Kamenstein Account 1CM914 was opened with an inter-account transfer from BLMIS Account 1CM247 in the amount of \$3,146,642. However, as discussed above, this amount was not credited as principal into Kamenstein Account 1CM914 because this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4A and 4E.**)

56. Subsequent to this initial inter-account transfer, on January 31, 2005, as reflected on the Customer Statements, there was an inter-account transfer from BLMIS Account 1CM247 into Kamenstein Account 1CM914 in the amount of \$686. However, as discussed above, this amount was not credited as principal into Kamenstein Account 1CM914 because this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4A and 4E.**)

57. Additionally, between December 27, 2004 and December 11, 2008, there were two cash deposits via check and wire into Kamenstein Account 1CM914 in the aggregate amount of \$113,600, all representing principal. (See **Exhibit 3.**)

B. Description of the Cash Withdrawals Out of Kamenstein Account 1CM914

58. Between December 27, 2004 and December 11, 2008, Kamenstein Account 1CM914 reflected a total of 39 cash withdrawals totaling \$2,377,040.

59. The Principal Balance Calculation for Kamenstein Account 1CM914 demonstrates that between December 27, 2004 and December 11, 2008, \$2,377,040 was withdrawn from BLMIS, which consisted of \$113,600 of principal and an additional \$2,263,440 of funds withdrawn in excess of principal, representing fictitious profits. Within the two-year period prior to December 11, 2008, \$907,300 of fictitious profits was withdrawn from Kamenstein Account 1CM914. (See **Exhibit 4E.**)

V. DESCRIPTION OF ACTIVITY IN KAMENSTEIN ACCOUNT 1CM913 AND THE TRANSACTIONS IMPACTING THE PRINCIPAL BALANCE CALCULATION

60. Kamenstein Account 1CM913 was opened with BLMIS in December 2004. Throughout its account history, Kamenstein Account 1CM913 had a total of 41 cash deposit and withdrawal transactions. In addition to these cash transactions, there were two inter-account transfers from BLMIS Account 1CM247 into Kamenstein Account 1CM913.

61. The cash deposit and withdrawal transactions, as well as the inter-account transfers, all impacted the Principal Balance Calculation for Kamenstein Account 1CM913. Each of these transactions was reflected on the Customer Statements between December 2004 and November 2008, and the Checkbook File between December 1, 2008 and December 11, 2008.

62. Thus, in order to perform the Principal Balance Calculation for Kamenstein Account 1CM913, BLMIS Account 1CM247 was analyzed to determine the amount of principal available in that account that could be transferred into Kamenstein Account 1CM913.

63. As discussed above, to determine the amount of principal available in BLMIS Account 1CM247, one additional account, BLMIS Account 1CM295, was analyzed because an inter-account transfer from that account impacted the principal balance in BLMIS Account 1CM247.

64. **Exhibit 3** to this report (Summary Schedule of Cash and Principal Activity in Kamenstein Accounts) provides a summary of the activity in the BLMIS accounts that impacted the Principal Balance Calculation for Kamenstein Account 1CM913.

65. **Exhibits 4A, 4B and 4F** to this report provide detailed schedules for the Principal Balance Calculation for BLMIS Accounts 1CM247, 1CM295 and Kamenstein Account 1CM913, respectively.

A. Description of the Inter-Account Transfers and Cash Deposits Into Kamenstein Account 1CM913

66. On December 27, 2004, as reflected on the Customer Statements, Kamenstein Account 1CM913 was opened with an inter-account transfer from BLMIS Account 1CM247 in the amount of \$3,146,642. However, as discussed above, this amount was not credited as

principal into Kamenstein Account 1CM913 because this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4A** and **4F**.)

67. Subsequent to this initial inter-account transfer, on January 31, 2005, as reflected on the Customer Statements, there was an inter-account transfer from BLMIS Account 1CM247 into Kamenstein Account 1CM913 in the amount of \$686. However, as discussed above, this amount was not credited as principal into Kamenstein Account 1CM913 because this reported inter-account transfer constituted fictitious profits. (See **Exhibits 4A** and **4F**.)

68. Additionally, between December 27, 2004 and December 11, 2008, there were two cash deposits via check and wire into Kamenstein Account 1CM913 in the aggregate amount of \$113,600, all representing principal. (See **Exhibit 3**.)

B. Description of the Cash Withdrawals Out of Kamenstein Account 1CM913

69. Between December 27, 2004 and December 11, 2008, Kamenstein Account 1CM913 reflected a total of 39 cash withdrawals totaling \$2,377,040.

70. The Principal Balance Calculation for Kamenstein Account 1CM913 demonstrates that between December 27, 2004 and December 11, 2008, \$2,377,040 was withdrawn from BLMIS, which consisted of \$113,600 of principal and an additional \$2,263,440 of funds withdrawn in excess of principal, representing fictitious profits. Within the two-year period prior to December 11, 2008, \$907,300 of fictitious profits was withdrawn from Kamenstein Account 1CM913. (See **Exhibit 4F**.)

VI. SIGNATURE AND RIGHT TO MODIFY

71. This report and the exhibits contained herein present my findings and the bases thereof. To the extent that any additional information is produced by any party, I reserve the right to incorporate such additional information into my report or to modify my report as necessary.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matthew B. Greenblatt", is written over a horizontal line.

Matthew B. Greenblatt, CPA/CFF, CFE
Senior Managing Director
FTI Consulting, Inc.

Dated: June 14, 2019

VII. LIST OF EXHIBITS

Exhibit 1 – Curriculum Vitae and Testimony of Matthew B. Greenblatt

Exhibit 2 – Documents Considered

Exhibit 3 – Summary Schedule of Cash and Principal Activity in the Kamenstein Accounts

Exhibit 4A – Detailed Schedule for the Principal Balance Calculation for BLMIS Account
1CM247

Exhibit 4B – Detailed Schedule for the Principal Balance Calculation for BLMIS Account
1CM295

Exhibit 4C – Detailed Schedule for the Principal Balance Calculation for Kamenstein Account
1CM596

Exhibit 4D – Detailed Schedule for the Principal Balance Calculation for Kamenstein Account
1CM597

Exhibit 4E – Detailed Schedule for the Principal Balance Calculation for Kamenstein Account
1CM914

Exhibit 4F – Detailed Schedule for the Principal Balance Calculation for Kamenstein Account
1CM913